



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO DCMC-O

MAY 28 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF
DEFENSE (ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE
ORGANIZATION
THROUGH: ~~DIRECTOR, DEFENSE LOGISTICS AGENCY~~ ^{6/3/99}

SUBJECT: Single Process Initiative (SPI) Monthly Activity Report

Forwarded for your review is the SPI monthly report for the period ending April 30, 1999. This report features Aerojet General, Valley of the Sun – SPI Working Group, DCMC/Industry Partnering to form Management Councils, Raytheon System Company, Aerospace Industries Association, Lockheed Martin and SPI activity statistics. Additional data is available for viewing on our home page (<http://www.dcmc.hq.dla.mil>).

Should you have any questions or concerns regarding information contained in the attached report, please contact Ms. Kathy Zalonis, SPI/Block Change Management Team Leader at (703) 767-2471.

TIMOTHY P. MALISHENKO
Major General, USAF
Commander

Attachment
cc:
See Distribution

OASA (RD&A)
ASN (RD&A) ARO
PDASAF (Acq & Mgmt)
COMNAVAIRSYSCOM
Director DLA
Commander, DLSC
NASA Headquarters, Code AE

Single Process Initiative (SPI)
Monthly Report
April 30, 1999

Aerojet-General Establishes Three New SPI Goals/Objectives

- Mr. John Middendorf, Director of Integrated Processes and Management Systems, discussed Aerojet-General's three new SPI goals and objectives on April 5, 1999
 - Aerojet Operational Excellence – Key Thrusts
 - High performance work place
 - Six Sigma variation control
 - Supply chain management – cycle time reduction
 - Some examples of process improvements throughout the enterprise
 - Metrology Calibration and Recall Process
 - Problem: Redundant calibration applications maintained to support existing processes, requiring additional staff, programming and technical support
 - Action Taken: Developed and implemented new instrument calibration and recall processes using a single calibration application and developed a desktop application to support electronic processing and distribution of instrument recalls
 - Results: Elimination of clerical position, 4-part forms and associated material and distribution costs, and over 90% cycle time reduction in instrument recall process
 - Raw Materials Lab Processing Capacity
 - Problem: More capacity needed to meet increased workload; only possible way to increase capacity is through process improvements and cycle time reductions
 - Action Taken: Moved lab equipment for process/material flow efficiency and developed improved process documentation and checklists to speed processing
 - Results: 65% process cycle time reduction and 88% total cycle time reduction
 - Credit Card Purchasing
 - Problem: Reduce processing costs of low-dollar, direct charge, non-deliverables
 - Action Taken: Expanded use of credit cards to include such purchases
 - Results: Instantaneous ordering and faster resolution of order problems, and reduced “low-value” workload on procurement

DCMC Working with Industry Partners to form Corporate Management Councils

- DCMC SPI Center has been working very closely with Northrop Grumman at the Corporate and Segment Levels assisting in the formation of Management Councils
- Lessons learned, common practices and structures have been shared
- At the B-2 facility in Palmdale, CA, preparations are underway for the submission of a manufacturing process improvement concept paper
 - May be submitted at the segment or even the corporate level
 - Already produced significant reductions in cycle time of manufacturing floor processes

Valley of the Sun Group Discusses Commercial Item Determinations, SPI and Suppliers and Government Property Disposition Problems

- The Valley of the Sun Group, a consortium of Government Contractors in the Phoenix area, met on April 20, 1999
 - Boeing Aircraft Company, Mesa, AZ briefed “What our Suppliers Should Know about Single Process Initiative”
 - Motorola Systems and Solutions Group discussed ways to solve government property disposition problems
 - AlliedSignal presented issues currently being encountered implementing FAR Part 12, including information from Sundstrand Corporation and Seyfarth, Shaw, Fairweather & Geraldson of Los Angeles, CA (independent legal firm).
- Boeing Aircraft Company, Mesa, Arizona - What our Suppliers should know about Single Process Initiatives
 - Reduce production costs
 - Replace, streamline and/or commercialize military standards, specifications and other requirements
 - Boeing Mesa will *recognize and reward* suppliers for submitting SPI concepts
 - Boeing uses two phased approach to SPI
 - Boeing Supplier simultaneously submits concept papers to DCMC and Boeing
 - Supplier notifies Boeing of approvals and block change MOA
 - Supplier contacts buyer/SPI coordinator for feedback/review of block changes
 - Boeing has ninety day goal to process and disposition supplier SPIs
 - Boeing will provide assistance to suppliers in writing/processing SPI concept papers
 - Boeing-Mesa SPI Performance—Total SPIs submitted = 20/Total SPIs approved = 14
- Motorola Systems Solutions Group Works To Solve Government Property Disposition Problems
 - Too much government/customer owned property pending disposition
 - Takes too long to dispose of excess property
 - 400 days average cycle time
 - Average number of days to receive disposition instructions
 - 160 days for DCMC Administered contracts
 - 400 days for non-DCMC Administered contracts
 - Property Disposition Team formed August 1998
 - Shorten disposition cycle time for excess property
 - Look for internal process improvements
 - FAR part 45 under revision for approximately 4 years
 - Two versions proposed
 - Defense Acquisition Regulatory Council re-write
 - Acquisition Reform Office version
 - Reduced screening time (45 days)
 - Disposal options available if no response received in specified time.
 - Government not receptive in past to Government Property SPIs due to FAR Part 45 rewrite

- Commercial Item Determinations
 - Sundstrand Corporation - Commercial Item Determination under FAR 2.101
 - 85% of Sundstrand business is providing supplies to commercial customers
 - Majority of the remainder (identical or modified versions of commercial supplies) is sold to Government and its prime contractors
 - Federal Acquisition Streamlining Act (FASA) provides Federal procuring agencies with broad flexibility for determining if items qualify as “commercial items”
 - FAR Parts 10 and 12 and FAR 2.101--ensure that items are not eliminated from consideration because they are not *identical in every respect* to commercial items
 - FAR 2.01’s use of the term “of a type” -- Items qualify as commercial items if they are “of a type” customarily used for non-governmental purposes and have been sold or offered for sale to the general public
 - Inconsistent application of the “Commercial Item” definition
 - Some PCOs/ACOs say that items must be *identical or virtually identical* to items sold or offered for sale to the general public
 - Others demand the contractor to trace items and/or components and parts to specific items and/or components and parts of its commercial items
 - Conclusion—Some Contracting Officer interpretations are:
 - Not consistent with all portions of the regulations
 - Contrary to congressional intent concerning “commercial item” concept
 - Contrary to applicable Committee reports and legislative history
 - Ignoring the fact that many companies sell modified or customized supplies to customers with essentially similar requirements and needs
- Seyfarth, Shaw, Fairweather & Geraldson of Los Angeles, CA - Negotiation of Contracts for Commercial Items and Services
 - Federal Acquisition Streamlining Act (FASA)
 - Provides statutory preference for the purchase of commercial items
 - Removes contracting impediments
 - Cost or Pricing data exceptions
 - Cost Accounting Standards Exemptions
 - Limitation on Contract Clauses
 - Allows use of customary commercial “Terms & Conditions”
- This information will be provided to the Commercial Designations IPT chartered by the SPI Executive Council

Aerospace Industries Association (AIA) Close To Releasing Template For Subcontractors

- AIA’s subcontractor SPI template has successfully passed its first round of reviews
- Final approval by the AIA Board of Governors expected on May 28, 1999
- DCMC will expand the information in its SPI database to include lessons learned from SPI approvals that will be an integral support process of the template
- Following industry approval, AIA intends to present the template to the SPI Executive Council and recommend DOD adoption.

***Raytheon Systems Company Actively Working on Company-Wide SPIs and
Supplier SPI Process and Submittals***

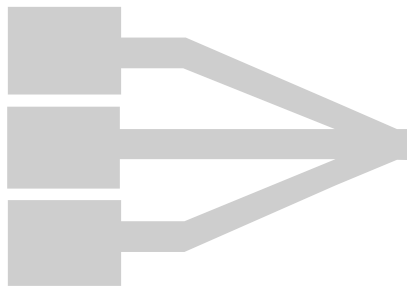
- Raytheon Systems Company (RSC) is actively implementing the approved RSC company wide SPIs for Soldering, Electrostatic Discharge and Quality Management System
 - Need to obtain the initial prime company approval from the Boeing programs F-22 and B-1B for the soldering SPI
 - Approvals of the SPIs by primes such as Boeing, Lockheed Martin and Northrop Grumman are necessary in order to implement the approved processes
- RSC has the second series of company wide SPIs in routing for approval by component team leads
 - Earned Value Management System
 - Acquisition Pollution Prevention Initiative with Primers and Topcoats
- RSC chairs an AIA sub-team of the Supplier Management Council
 - Formed at the request of the SPI Executive Council
 - Will develop guidelines for Supplier SPI submittals and ways to streamline the bureaucracy of prime company review and approvals
- Next RSC Customer Council scheduled for June 2, 1999 at RSC Headquarters in Rosslyn, VA.

Lockheed Martin's LM21 Best Practices Program Shows Promise for SPI Concept Papers

- Umbrella program integrates a number of existing cost productivity improvement programs and leverages the diverse heritages to select best of best
- Extensive formal benchmarking, followed by structured transfer of best practices from "Best in Class" companies
 - All companies participating; more than 100 internal assessments completed
 - Covers program management, engineering, procurement, indirect costs, employee development and operations
 - 11 Transfer Teams started in 1998; 19 more Transfer Teams initiated in 1999 Wave 1.
 - 220 in-bound transfers underway, with 21 different companies participating as the Best-in-Class source site
- Steady-state savings expected to yield \$2.5-\$3.0 billion by 2002
- 1999 Projections exceeding plan

Summary

- Aerojet-General establishes new SPI goals/objectives
- DCMC working with Northrop Grumman to form Management Councils at segment and/or corporate levels
- Valley of the Sun Group
 - Boeing Aircraft Company, Mesa, Arizona reveals “What our Suppliers should know about Single Process Initiatives”
 - Motorola Systems and Solutions Group Reports Progress on Government Property Disposition Problems
 - Commercial Designations
 - Information from Sundstrand Corporation and Seyfarth, Shaw, Fairweather & Geraldson of Los Angeles, CA will assist the Commercial Designations IPT chartered by SPI Executive Council
- AIA Subcontractor SPI template sure to improve supplier participation in SPI
- Raytheon Systems Company
 - Making progress on company wide SPIs
 - Assisting in Supplier SPI Process
- Lockheed Martin’s LM21 Best Practices Program shows potential for more SPI concept papers and increased savings



SINGLE PROCESS INITIATIVE

Implementation Summary

Appendix A: As of: Tuesday, May 18, 1999

<i>Contractor Facilities:</i>	<i>320</i>
<i>Top 200 Corporation Facilities:</i>	<i>164</i>
<i>International Facilities:</i>	<i>18</i>

<i>Total Proposed Process Changes:</i>	<i>1652</i>
<i>Found Technically Unacceptable:</i>	<i>64</i>

<i>Processes Withdrawn/Disapproved:</i>	<i>323</i>
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<i>Total Block Change Modifications:</i>	<i>1185</i>
<i>Average days from Submittal to Modification:</i>	<i>142</i>

<i>Total Open:</i>	<i>144</i>
<i>* Total Open Aged Over 120 days:</i>	<i>45</i>

Proposal Development (30 Days)	Total Under Development/Awaiting Initial Acceptance:	28
	Total Under Development for More than 30 Days:	25

Approval (60 days)	Total Under Review for Approval:	55
	Disagreements/Problems Escalated:	28
	Total Under Review for More than 60 Days:	25

Modification (30 days)	Total Awaiting Contract Modification:	60
	Total Awaiting Contract Modification for More than 30 Days:	60

Implementation Results	Amount Negotiated:	\$30,635,004
	Estimated Cost Avoidance on Future Contracts:	\$468,313,229

* Does not include Law/Reg Proposals, AP2I